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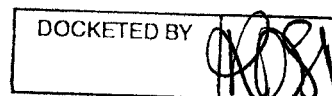
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TO: Docket Control 7008 JUL 24 A 9:14
Arizona Corporation Commission
FROM: Ernest G. Johnson
Director
Utilities Division

Arizona Corporation Commission

DOCKETED

JUL 24 2008



Date: July 24, 2008

RE: SUPPLEMENTAL STAFF REPORT FOR THE APPLICATION OF
COMMUNITY WATER COMPANY OF GREEN VALLEY FOR AN
EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
(DOCKET NO. W-02304A-08-0149)

On March 11, 2008, Community Water Company of Green Valley ("CWC" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for authorization to extend its current Certificate of Convenience and Necessity ("CC&N") to the Freeport McMoRan ("Mine") pumping facilities, an area near its certificated area. The Company projects that the infrastructure necessary to serve the requested area will cost approximately \$274,500. The Company's application stated that the proposed capital investments will be funded by the Mine, and the related plant additions will be treated as Advances-in-Aid of Construction ("AIAC").

On June 26, 2008, the evidentiary portion of the hearing was held. During the hearing, the Company testified that the proposed plant additions necessary to serve the Mine would be treated as Contributions in Aid-of-Construction ("CIAC"), instead of AIAC. Because of the uncertainty surrounding the accounting treatment of the proposed plant additions, the Administrative Law Judge ("ALJ") requested that the Company and the Mine make a joint filing to clarify the rate-making treatment intended for the proposed plant. Also, the ALJ requested Staff to file its response to the joint filing on or before July 31, 2008.

On July 9, 2008, the Company and the Mine filed an "Amendment to Agreement 222, WA# 0708" stating that:

"This amendment is to clarify the accounting treatment of the monies paid by Customer according to the Main Extension Agreement in that it is not an advance in aid of construction but is a contribution and is all non-refundable, and no portion of the installation cost, or operating revenue, for this project will be refunded to Customer. As described on page 4, paragraph 11, upon termination of service, all pumping facilities located on the Pump Station Site shall become the property of the Customer, except for lines, mains, or fittings attached or connected to the Company's piping or equipment."

Based on the revised agreement, Staff finds that the plant additions necessary to serve the Mine will be treated as CIAC, not as AIAC. As a result, the Company has no refund obligation to the Mine. As it relates to the distribution of the plant additions, the Company explained to Staff that the plant items installed within its CC&N area or connected to its piping or equipment, will remain as CAIC, while the plant items installed within the property of the Mine, will be owned by it, upon termination of the contract. Staff finds that the proposed distribution of plant additions, upon termination of service, is reasonable.

Further, in response to one of the questions asked by the ALJ during hearing, Staff was able to confirm that the Company has an approved backflow prevention tariff on file with the Commission.

In conclusion, Staff continues to support Commission approval of CWC's application for CC&N extension.

EGJ:AII:kdh

Originator: Alexander Ibhide Igwe, CPA

Attachment: Original and thirteen copies

Service List for: Community Water Company of Green Valley
Docket No. W-02304A-08-0149

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AZ CORP COMM
Director Utilities

Docket Control

Arizona Corporation Commission

1200 West Washington Street

Phoenix, AZ 85007

Please find the enclosed copy of the Amendment to Agreement 222, WA#0708.

I was somewhat confused and so was the Commission Staff, on whether Agreement 222 WA# 0708 was a refundable Advance in Aid of Construction, or was non- refundable. This attachment clears up any misunderstandings.

Please let me know if you have any questions, or need any additional information.

Sincerely,

Norris L. West

Operations Manager

Community Water Company of Green Valley

Docket # W 02304A-08-0149

Amendment to Agreement 222, WA# 0708

July 2, 2008

This is an amendment to Agreement Number 222, Community Water Company WA# 0708, Main Extension Agreement between Freeport -McMoRan Sierrita (Customer), formerly known as Phelps Dodge Sierrita and Community Water Company of Green Valley (Company), dated January 29, 2008.

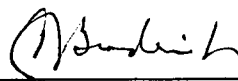
This amendment is to clarify the accounting treatment of the monies paid by Customer according to the Main Extension Agreement in that it is not an advance in aid of construction but is a contribution and is all non-refundable, and no portion of the installation cost, or operating revenue, for this project will be refunded to Customer. As described on page 4, paragraph 11, upon termination of service, all pumping facilities located on the Pump Station Site shall become the property of the Customer, except for lines, mains, or fittings attached or connected to the Company's piping or equipment. (See Page 4, paragraph 11 for complete text).

This Amendment does not change or amend any other part of this Main Extension Agreement.

Community Water Company of Green Valley

Freeport- McMoRan Sierrita, Inc.

By: 

By: 

Title: President

Title: VICE President & General Mgr.